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Republic of Indonesia

The Development of Integrated Farming
Systems in Upland Areas (UPLANDs)

Addendum

Executive Board — 128th Session
Rome, 10-12 December 2019

For: Approval

The Development of Integrated Farming Systems in Upland Areas (UPLANDS)

Addendum

The attention of the Executive Board is drawn to the following addenda and modifications to the President's report on The Development of Integrated Farming Systems in Upland Areas (EB 2019/128/R.22). For ease of reference, the changes to the text of the report are shown in boldface, while strikethrough indicates deleted text.

Page ii, Abbreviations and Acronyms

| | |
|--------------------------|---|
| DG-AIF DGAI F | Directorate General of Agricultural Infrastructure and Facilities |
| UPLANDS | Uplands Agriculture Productivity and Markets Project |
| UPLANDs | The Development of Integrated Farming Systems in Upland Areas |

Page iv, Financing Summary

| | |
|--------------------------------|---|
| Amount of IFAD loan: | EUR 44.850 million (equivalent to approximately US\$50.0 million) |
| Terms of IFAD loan: | Ordinary terms 13 years, including a grace period of 6 years, with an interest rate equal to the IFAD reference interest rate including the variable spread |
| Amount of cofinancing: | IsDB loan: US\$70.0 million IsDB grant: US\$0.28 US\$0.50 million |
| Contribution of borrower: | EUR 15.300 million (equivalent to approximately US\$17.097 million) |
| Contribution of beneficiaries: | EUR 12.600 million (equivalent to approximately US\$14.034 million) |

Page 1, Recommendation

The recommendation should read:

~~"The Executive Board is invited to approve the recommendation contained in paragraph 58 for the proposed financing to the Republic of Indonesia for~~
The Development of Integrated Farming Systems in Upland Areas project."

Page 1, paragraph 3

The first sentence should read:

~~"Regarding climate change, the Uplands Agriculture Productivity and Markets Project (UPLANDS)~~
The Development of Integrated Farming Systems in Upland Areas (UPLANDs) project will: (i) promote agricultural practices to strengthen climate resilience, including water conservation and ecosystem

preservation; (ii) prioritize resilient crops and activities; (iii) strengthen the skills of farmers and government services on adaptation to climate change, and include adaptation in all capacity-building activities; and (iv) integrate farmers' traditional knowledge with innovations."

Note: All subsequent references in the document should be changed from "UPLANDS" to "UPLANDs".

Page 2, paragraph 15

The second sentence should read:

"The development objective is to ~~assist rural households to increase their incomes, food and nutritional security and resilience.~~ increase smallholders' agriculture productivity, incomes, livelihoods and resilience in the targeted uplands."

Page 3, paragraph 19

The first sentence should read:

"Component 1: ~~Infrastructure development for~~ Productivity enhancement and resilience-building."

Page 4, paragraph 21

A new sub-paragraph is added to paragraph 21, underneath the two bullet points:

"In addition to the three technical components described above, component 4 – project management – will aim to ensure the effective management and implementation of the project."

Page 6, table 1 is replaced with the below:

Table 1
Indicative project costs by component, subcomponent and financier
(Thousands of United States dollars)

| Component | IFAD loan | | IsDB loan | | IsDB grant | | Beneficiaries | | | Government of Indonesia | | | Private sector | Total |
|--|-----------|------|-----------|-------|------------|------|---------------|---------|------|-------------------------|---------|------|----------------|---------|
| | Amount | % | Amount | % | Amount | % | Cash | In-kind | % | Cash | In-kind | % | Amount | Amount |
| 1. Infrastructure development for p-Productivity enhancement and resilience-building | | | | | | | | | | | | | | |
| 1.1. Land and infrastructure development | 2 959 | 5.0 | 40 499 | 67.8 | - | - | - | 10 858 | 18.2 | 5 432 | - | 9.1 | - | 59 748 |
| 1.2. Production and farm management | 33 091 | 76.5 | 3 017 | 7.0 | - | - | - | 975 | 2.3 | 6 103 | - | 14.1 | - | 43 186 |
| Subtotal | 36 050 | 35.0 | 43 516 | 42.3 | - | - | - | 11 833 | 11.5 | 11 535 | - | 11.2 | - | 102 934 |
| 2. Agribusiness development and livelihood facilitation | | | | | | | | | | | | | | |
| 2.1. Development of farmer institutions | 1 207 | 90.9 | - | - | - | - | - | - | - | 121 | - | 9.1 | - | 1 328 |
| 2.2. Market infrastructure and equipment | 1 664 | 13.7 | 7 139 | 59.0 | - | - | - | 2 201 | 18.2 | 1 100 | - | 9.1 | - | 12 105 |
| 2.3. Strengthening market linkages and alliances | 1 645 | 89.6 | - | - | - | - | - | - | - | 167 | - | 9.1 | 24 | 1 836 |
| 2.4. Access to financial services | - | - | 4 001 | 100.0 | - | - | - | - | - | - | - | - | - | 4 001 |
| Subtotal | 4 516 | 23.4 | 11 140 | 57.8 | - | - | - | 2 201 | 11.4 | 1 388 | - | 7.2 | 24 | 19 269 |
| 3. Strengthening institutional delivery systems | | | | | | | | | | | | | | |
| 3.1. Capacity-building for institutional development, governance and transparency | 2 733 | 77.3 | - | - | 500 | 14.1 | - | - | - | 301 | - | 8.5 | - | 3 534 |
| 3.2. Adaptive research | - | - | 1 608 | 90.9 | - | - | - | - | - | 161 | - | 9.1 | - | 1 769 |
| Subtotal | 2 733 | 51.5 | 1 608 | 30.3 | 500 | 9.4 | - | - | - | 462 | - | 8.7 | - | 5 303 |
| 4. Programme Project management | | | | | | | | | | | | | | |
| 4.1. Technical assistance | 619 | 4.0 | 13 537 | 86.9 | - | - | - | - | - | 1 416 | - | 9.1 | - | 15 571 |
| 4.2. Operating cost | 6 081 | 70.9 | 199 | 2.3 | - | - | - | - | - | 2 297 | - | 26.8 | - | 8 577 |
| Subtotal | 6 700 | 27.7 | 13 736 | 56.9 | - | - | - | - | - | 3 713 | - | 15.4 | - | 24 149 |
| Total | 50 000 | 33.0 | 70 000 | 46.2 | 500 | 0.3 | - | 14 034 | 9.3 | 17 097 | - | 11.3 | 24 | 151 655 |

Page 7, table 2 is replaced with the below:

Table 2
Indicative project costs by expenditure category and financier
(Thousands of United States dollars)

| Expenditure category | IFAD loan | | IsDB loan | | IsDB grant (ISFB) | | Private sector | | Beneficiaries | | | Government of Indonesia | | | Total |
|---|-----------|-------------|-----------|-------------|-------------------|------------|----------------|-----|---------------|---------|------|-------------------------|---------|-------|----------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Cash | In-kind | % | Cash | In-kind | % | Amount |
| Investment costs | | | | | | | | | | | | | | | |
| A. Technical assistance and consultancies | 401 | 2.6 | 13 609 | 88.3 | - | - | - | - | - | - | - | 1 401 | - | 9.1 | 15 441 |
| B. Works | 19 | 0.1 | 17 077 | 72.7 | - | - | - | - | - | 4 273 | 18.2 | 2 137 | - | 9.1 | 23 505 |
| C. Grants and subsidies | 5 399 | 10.3 | 32 715 | 62.6 | - | - | - | - | - | 9 415 | 18.0 | 4 753 | - | 9.1 | 52 282 |
| D. Goods and services | 31 791 | 86.2 | 1 608 | 4.4 | - | - | - | - | - | 130 | 0.4 | 3 353 | - | 9.1 | 36 882 |
| E. Training, workshop and meeting | 9 171 | 85.1 | 127 | 1.2 | 500 | 4.6 | 24 | 0.2 | - | - | - | 960 | - | 9.1 | 10 782 |
| F. Micro-credit | - | - | 4 001 | 100.0 | - | - | - | - | - | - | - | - | - | 9.1 | 4 001 |
| G. Vehicle | 77 | 90.9 | - | - | - | - | - | - | - | - | - | 8 | - | 9.1 | 85 |
| H. Equipment | 106 | 8.1 | 863 | 66.2 | - | - | - | - | - | 216 | 16.6 | 119 | - | 9.1 | 1 304 |
| I. Operating cost | 3 036 | 90.8 | - | - | - | - | - | - | - | - | - | 304 | - | 9.1 | 3 340 |
| Total Investment cost | 50 000 | 34.0 | 70 000 | 47.6 | 500 | 0.3 | 24 | - | - | 14 034 | 9.5 | 13 034 | - | 9.1 | 147 591 |
| Recurrent costs | | | | | | | | | | | | | | | |
| A. Salaries | - | - | - | - | - | - | - | - | - | - | - | 4 064 | - | 100.0 | 4 064 |
| Total recurrent costs | - | - | - | - | - | - | - | - | - | - | - | 4 064 | - | 100.0 | 4 064 |
| Total | 50 000 | 33.0 | 70 000 | 46.2 | 500 | 0.3 | 24 | - | - | 14 034 | 9.3 | 17 098 | - | 11.3 | 151 655 |

Page 8, table 3 should be replaced with the below:

Table 3
Project costs by component, subcomponent and year
(Thousands of United States dollars)

| | PY*1 | | PY2 | | PY3 | | PY4 | | PY5 | | Total |
|--|--------|--------------|--------|--------------|--------|--------------|--------|--------------|--------------|--------------|----------------|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % | Amount |
| 1. Infrastructure development for Productivity enhancement and resilience-building | | | | | | | | | | | |
| 1.1. Land and infrastructure development | - | - | 17 679 | 29.59 | 26 152 | 43.77 | 15 917 | 26.64 | - | - | 59 748 |
| 1.2. Production and farm management | 490 | 1.14 | 18 743 | 43.40 | 21 389 | 49.53 | 1 951 | 4.52 | 613 | 1.42 | 43 186 |
| Subtotal | 490 | 0.48 | 36 422 | 35.38 | 47 541 | 46.19 | 17 868 | 17.36 | 613 | 0.60 | 102 934 |
| 2. Agribusiness development and livelihood facilitation | | | | | | | | | | | |
| 2.1. Development of farmer institutions | - | - | 360 | 27.10 | 366 | 27.59 | 320 | 24.12 | 281 | 21.19 | 1 328 |
| 2.2. Market infrastructure and equipment | 83 | 0.69 | 8 863 | 73.22 | 3 158 | 26.09 | - | - | - | - | 12 105 |
| 2.3. Strengthening market linkages and alliances | - | - | 449 | 24.45 | 457 | 24.89 | 465 | 25.34 | 465 | 25.31 | 1 836 |
| 2.4. Access to financial services | 58 | 1.44 | 3 459 | 86.46 | 484 | 12.10 | - | - | - | - | 4 001 |
| Subtotal | 141 | 0.73 | 13 131 | 68.15 | 4 465 | 23.17 | 786 | 4.08 | 746 | 3.87 | 19 269 |
| 3. Strengthening institution delivery systems | | | | | | | | | | | |
| 3.1. Capacity-building for institutional development, governance and transparency | 1 129 | 31.95 | 729 | 20.63 | 742 | 21.00 | 716 | 20.26 | 220 | 6.2 | 3 534 |
| 3.2. Adaptive research | - | - | - | - | 579 | 32.74 | 590 | 33.33 | 600 | 33.93 | 1 769 |
| Subtotal | 1 129 | 21.29 | 729 | 13.75 | 1 321 | 24.91 | 1 305 | 24.61 | 820 | 15.46 | 5 303 |
| 4. Programme Project management | | | | | | | | | | | |
| 4.1. Technical assistance | 1 524 | 9.79 | 3 725 | 23.93 | 4 242 | 27.24 | 3 263 | 20.96 | 2 816 | 18.09 | 15 571 |
| 4.2. Operating cost | 1 242 | 14.48 | 2 238 | 26.09 | 1 761 | 20.53 | 1 701 | 19.83 | 1 636 | 19.07 | 8 577 |
| Subtotal | 2 766 | 11.45 | 5 963 | 24.69 | 6 003 | 24.86 | 4 964 | 20.56 | 4 452 | 18.44 | 24 149 |
| Total | 4 526 | 2.98 | 56 245 | 37.09 | 59 331 | 39.12 | 24 923 | 16.43 | 6 631 | 4.37 | 151 655 |

* Project year

Page 5, paragraph 27

The first sentence should read:

"Project costs. Total project costs are estimated at ~~US\$151.435 million~~ US\$151.655 million over a five-year period."

Page 7, paragraph 28

The paragraph should read:

"Of the total project cost, total IFAD financing comes to EUR 44.85 million (equivalent to approximately US\$50 million, or 33.0 per cent of the total cost), with US\$70 million (46.2 per cent) to be provided by an IsDB loan, ~~US\$0.28 million (0.2 per cent)~~ US\$0.50 million (0.3 per cent) by an IsDB grant, and US\$24,000 (0.016 per cent) by the private sector. The Government of Indonesia will contribute EUR 15.3 million (equivalent to approximately US\$17.1 million) (11.3 per cent), consisting of in-kind contributions by staff and tax exemptions. Beneficiaries are expected to contribute EUR 12.6 million (equivalent to approximately US\$14.0 million; 9.3 per cent of the total cost) - mostly to cofinance the purchase of machinery, equipment, building storage and production facilities. Each cofinancier, IFAD and IsDB, will administer its own financing."

Page 9, paragraph 38

The third sentence should read:

"The Ministry of Agriculture will assume overall leadership for the project. The project implementation structure will have strong management foundations at the national and district levels. The Directorate General of Agricultural Infrastructure and Facilities ~~(DG-AIF)~~ (DGAIF) in the Ministry of Agriculture will establish a project management unit, to be embedded within the Directorate of Irrigation and Low Land, to manage and supervise the project including activities financed by IFAD and IsDB."

Page 9, paragraph 39

The (b) and (c) sentences should read:

- (b) "The Ministry of Agriculture is the executing agency, and its ~~(DG-AIF)~~ DGAIF will have overall responsibility for project implementation; and"
- (c) "A national project management unit (NPMU) within the ~~(DG-AIF)~~ DGAIF will lead on implementation, supported by provincial and district programme implementation units."

Page 10, paragraph 43

The second sentence should read:

"Flow of funds. The project will use on-granting mechanisms to finance activities at the district level. The ~~(DG-AIF)~~ DGAIF has experience in managing similar programmes using this particular fund flow mechanism (e.g. the World Bank-funded Water Resources and Irrigation Sector Management Programme 2)."

Page 12, paragraph 58

The recommendation should read:

"RESOLVED: that the Fund shall provide a loan on ordinary terms to the Republic of Indonesia in an amount ~~equivalent to fifty million United States dollars~~
~~(US\$50,000,000)~~ of forty-four million eight hundred fifty thousand euros
(EUR 44,850,000) and upon such terms and conditions as shall be substantially in
accordance with the terms and conditions presented herein."